

I Want to Know More About Stock Price Cycles.

Q: What is a moving average?

A: A moving average serves as a dynamic representation of a stock price's direction over time, typically 30 weeks. By averaging the closing price of a particular stock week after week—and plotting the results concurrently with that stock's daily closing price over the same time period—a linear pattern may be revealed regarding the stage the stock may be in within its price cycle at any given time. Some investment professionals use moving averages as one factor in attempting to time buying and selling decisions for actively managed accounts.

Q: What are the four key stages of a stock's price cycle?

A: The **base** occurs when daily prices begin to close slightly higher than the moving 30-week average. The **advance** begins when the stock's price rises significantly above the moving average. The beginning of a major advance may be considered an ideal time to buy by many stock-picking professionals. The **top** is reached when daily prices no longer close consistently above the moving average, but instead fluctuate above and below, within a narrow range. During this stage, trading in the stock typically increases steadily. This may be the time when a professional might consider taking profits by selling his or her shares. The **decline** occurs when the stock consistently trades at prices below the moving average.

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